

MORAVIA COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2011

**Peak & Co., LLP
Certified Public Accountants
1370 NW 114th St., Suite 205
Clive, IA 50325**

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Moravia Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>EXPIRES</u>
<u>Board of Education</u>		
Steve Smith	President	2011
Scott Perry	Vice-President	2011
G.E. Luse	Board Member	2011
Chris Spencer	Board Member	2013
John Houser	Board Member	2013

School Officials

Brad Breon	Superintendent	2011
Christina Bickel	District Secretary/Treasurer/ Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

Moravia Community School District

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114th ST., SUITE 205
CLIVE, IA 50325

(515) 277-3077

Independent Auditor's Report

To the Board of Education of
Moravia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District, Moravia Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Moravia Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2012 on our consideration of Moravia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Moravia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP
Certified Public Accountants

January 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Moravia Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,462,046 in fiscal 2010 to \$3,782,517 in fiscal 2011, while General Fund expenditures increased from \$3,522,975 in fiscal 2010 to \$3,663,244 in fiscal 2011. The District's General Fund balance increased from \$220,775 at the end of fiscal 2010 to \$340,048 at the end of fiscal 2011, a 35% increase.
- The increase in expenditures was due primarily to an increase in salaries and benefits and building operation, and transportation expenses. From fiscal 2010 to fiscal 2011, revenue increased \$320,471. After several years of expenditures exceeding revenues in the General Fund, in fiscal 2011 our revenues exceeded expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Moravia Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Moravia Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

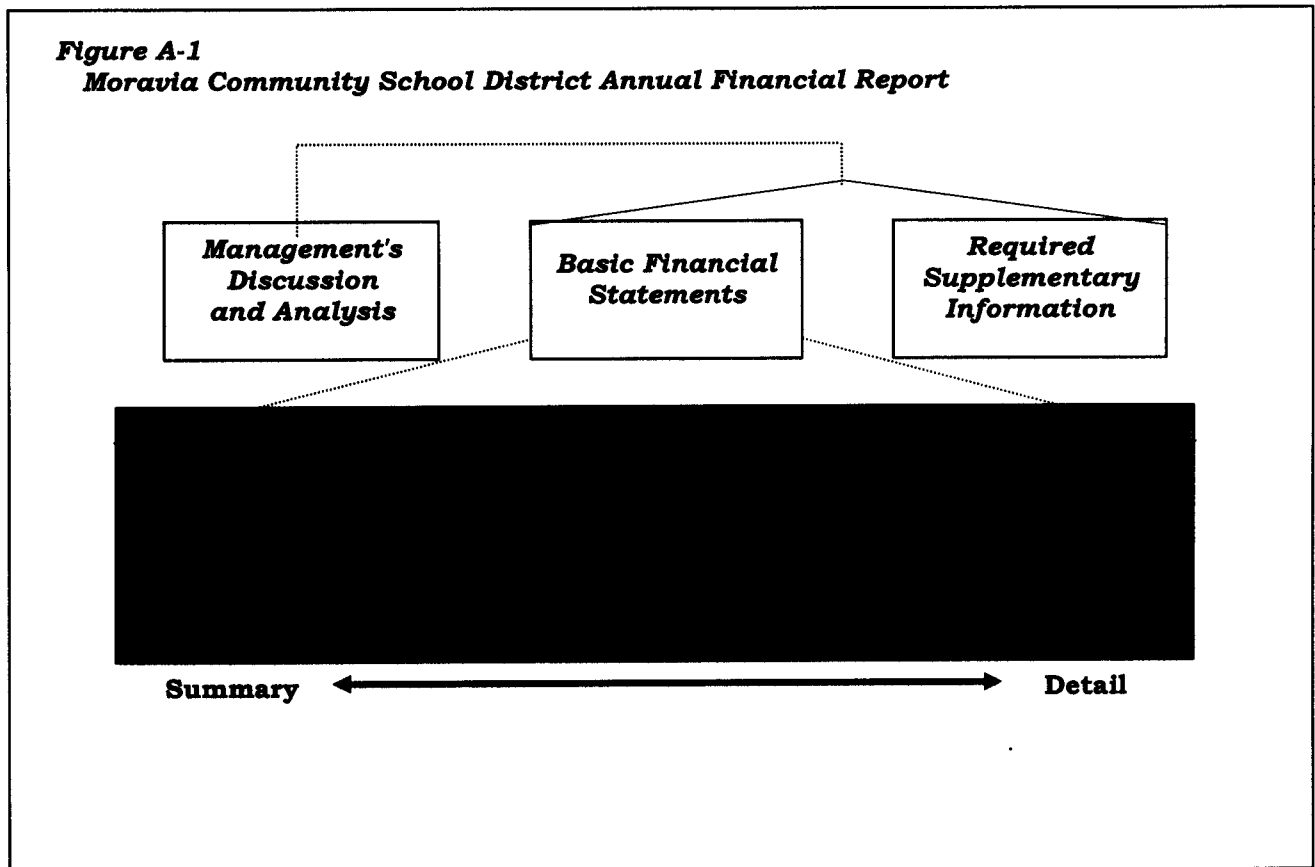


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and student construction	
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are

one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and student construction program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund, and the Student Construction Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 2,174	2,172	135	130	2,309	2,302	0.3%
Capital assets	1,698	1,648	14	16	1,712	1,664	2.9%
Total assets	3,872	3,820	149	146	4,021	3,966	1.4%
Long-term liabilities	457	391	121	118	578	509	13.6%
Other liabilities	1,332	1,596	14	13	1,346	1,609	-16.3%
Total liabilities	1,789	1,987	135	131	1,924	2,118	-9.2%
Net assets							
Invested in capital assets							
net of related debt	1,553	1,413	14	16	1,567	1,429	9.7%
Restricted	379	239	-	-	379	239	58.6%
Unrestricted	151	181	-	(1)	151	180	-16.1%
Total net assets	\$ 2,083	1,833	14	15	2,097	1,848	13.5%

The District's combined net assets increased nearly 13.5%, or approximately \$249,000, over the prior year. A large portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$140,000, or 58.6% over the prior year. The increase was primarily a result of an increase in net assets in the Special Revenue, Management Levy Fund and the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$29,000, or 16.1%. The reduction in unrestricted net assets was primarily a result of the District's net OPEB liability recorded in the current year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 615	567	81	78	696	645	7.9%
Operating grants, contributions and restricted interest	767	917	139	120	906	1,037	-12.6%
General revenues:							
Property tax	1,175	1,119	-	-	1,175	1,119	5.0%
Income surtax	124	145	-	-	124	145	-14.5%
Statewide sales, services and use tax	227	189	-	-	227	189	20.1%
Unrestricted state grants	1,514	1,105	-	-	1,514	1,105	37.0%
Unrestricted investment earnings	1	1	-	-	1	1	0.0%
Sale of capital assets	-	1	-	-	-	1	-100.0%
Insurance proceeds	3	-	-	-	3	-	100.0%
Other	10	37	-	-	10	37	-73.0%
Total revenues	4,436	4,081	220	198	4,656	4,279	8.8%
Program expenses:							
Governmental activities:							
Instruction	2,825	2,844	7	-	2,832	2,844	-0.4%
Support services	1,136	975	-	-	1,136	975	16.5%
Non-instructional programs	1	1	214	218	215	219	-1.8%
Other expenses	224	228	-	-	224	228	-1.8%
Total expenses	4,186	4,048	221	218	4,407	4,266	3.3%
Increase (decrease) in net assets	250	33	(1)	(20)	249	13	1815.4%
Net assets beginning of year	1,833	1,800	15	35	1,848	1,835	0.7%
Net assets end of year	\$ 2,083	1,833	14	15	2,097	1,848	13.5%

In fiscal 2011, property tax and unrestricted state grants account for 61% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 100% of the revenue from the business type activities.

The Districts total revenues were approximately \$4.7 million of which \$4.4 million was for governmental activities and approximately \$220,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced an 8.8% increase in revenues and a 3.3% increase in expenses. Property tax and unrestricted state grants increased approximately \$56,000 and \$409,000, respectively, to partially fund the increases in expenses. The increase in expenses was primarily due to increased cost for salaries and benefits, transportation and building operation expenses.

Governmental Activities

Revenues for governmental activities were \$4,435,957 and expenses were \$4,186,127 for the year ended June 30, 2011. In a difficult budget year, the District's financial position increased due to decisions made by the District to control spending.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 2,825	2,844	-0.7%	1,594	1,482	7.6%
Support services	1,136	975	16.5%	1,117	974	14.7%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	224	228	-1.8%	92	106	-13.2%
Totals	\$ 4,186	4,048	3.4%	2,804	2,563	9.4%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$614,916.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$767,447.
- The net cost of governmental activities was financed with \$1,526,310 in property and other tax, including local option sales and services tax, and \$1,513,714 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$219,789 representing a 11.2% increase over the prior year while expenses totaled \$220,474, a 1.3% increase over the prior year. The District's business type activities include the School Nutrition Fund and the Student Construction Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District increased prices on the sale of juice drinks and adult lunches. The increase in expenses was the result of increasing food prices during the year.

INDIVIDUAL FUND ANALYSIS

As previously noted, Moravia Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$687,928, above last year's ending fund balances of \$443,980. The primary reason for the increase was the result of revenues in excess of expenditures in the General Fund.

Governmental Fund Highlights

- The General Fund balance increase from \$220,775 to \$340,048 is partially due to reduced spending, as well as eliminating the superintendent secretary position and sharing Art, Business, and Family Consumer Science with neighboring districts.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$6,513 in fiscal 2010 to \$23,416 in fiscal 2011. While revenues remained approximately the same, the District decreased spending from the PPEL to increase the financial condition of the fund.
- The District passed the SILO Tax in fiscal 2004 and started receiving revenue in fiscal 2005. Revenues for the year were \$226,644 with expenditures of \$163,811. The District's fund balance in the Capital Projects Fund was \$120,590 at June 30, 2011.

Proprietary Fund Highlights

School Construction Fund net assets decreased from (\$5,865) at June 30, 2010 to (\$12,803) at June 30, 2011. The District is unable to sell the house it built, and is incurring monthly interest and utility costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, Moravia Community School District did not amend its annual budget.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$1.71 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.9% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$89,765.

The original cost of the District's capital assets was \$3.9 million. Governmental funds account for \$3.8 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

During the year, the major increase in assets was due to building improvements and the purchase of transportation equipment. The majority of these improvements include repairs to the parking lot, lowering the ceiling in the high school wing, flooring for the high school office, remodel done in the high school restrooms, remodel done in the Home Economics room and remodel of the Science Lab, as well as softball field improvements.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 1	1	-	-	1	1	0.0%
Construction in progress	7	-	-	-	7	-	100.0%
Buildings	1,296	1,276	-	-	1,296	1,276	1.6%
Improvements other than buildings	111	87	-	-	111	87	27.6%
Furniture and equipment	283	284	14	16	297	300	-1.0%
Totals	\$ 1,698	1,648	14	16	1,712	1,664	2.9%

Long-Term Debt

At June 30, 2011, the District had \$578,544 in total long-term debt outstanding. This represents an increase of approximately 13.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Notes 6 and 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 145	235	-38.3%
Short-term note payable	115	115	0.0%
Net OPEB liability	318	159	100.0%
Totals	\$ 578	509	13.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District expects a slight increase in enrollment due to families moving into the district as well as open enrolling into Moravia's school district.
- The potential change in preschool funding may have a negative effect on the district.
- Staff reduction due to budget cuts will help stabilize the General Fund.
- The continued housing development at Sundown Lake could increase tax base and enrollment.
- The federal government has been behind in Impact Aid payments for the past few years. The federal government is expected to continue getting caught up in final payments due to the district, which will help the General Fund.
- The new Honey Creek Destination Park is located in the District. This should generate an increase in the tax base due to related development in the region.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christina Bickel, District Secretary/Treasurer and Business Manager, Moravia Community School District, 505 N. Trussell, Moravia, Iowa, 52571.

Basic Financial Statements

Moravia Community School District

Exhibit A

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 618,708	5,718	624,426
Receivables:			
Property tax:			
Delinquent	29,002	-	29,002
Succeeding year	1,271,489	-	1,271,489
Due from other funds	13,629	-	13,629
Due from other governments	242,121	13,057	255,178
Inventories	-	116,547	116,547
Capital assets, net of accumulated depreciation	1,697,538	14,070	1,711,608
Total assets	3,872,487	149,392	4,021,879
Liabilities			
Accounts payable	12,344	47	12,391
Due to other governments	28,559	-	28,559
Due to other funds	-	13,629	13,629
Accrued interest payable	456	-	456
Deferred revenue:			
Succeeding year property tax	1,271,489	-	1,271,489
Other	19,301	-	19,301
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	90,000	-	90,000
Loan	-	114,793	114,793
Portion due after one year:			
General obligation bonds	55,000	-	55,000
Net OPEB liability	312,376	6,375	318,751
Total liabilities	1,789,525	134,844	1,924,369
Net assets			
Invested in capital assets, net of related debt	1,552,538	14,070	1,566,608
Restricted:			
Nonexpendable:			
Education foundation	29,545	-	29,545
Expendable:			
Categorical funding	31,584	-	31,584
Education foundation purposes	10,418	-	10,418
Management levy purposes	77,549	-	77,549
Student activities	85,036	-	85,036
Physical plant and equipment	23,416	-	23,416
School infrastructure	120,590	-	120,590
Debt service	1,326	-	1,326
Unrestricted	150,960	478	151,438
Total net assets	\$ 2,082,962	14,548	2,097,510

See notes to financial statements.

Statement of Activities

Year ended June 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:	Expenses						
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,879,740	351,562	472,247	-	(1,055,931)	-	(1,055,931)
Special instruction	394,307	51,511	155,351	-	(187,445)	-	(187,445)
Other instruction	551,066	193,151	7,536	-	(350,379)	-	(350,379)
	<u>2,825,113</u>	<u>596,224</u>	<u>635,134</u>	<u>-</u>	<u>(1,593,755)</u>	<u>-</u>	<u>(1,593,755)</u>
Support services:							
Student	100,100	-	-	-	(100,100)	-	(100,100)
Instructional staff	106,873	-	-	-	(106,873)	-	(106,873)
Administration	449,492	-	-	-	(449,492)	-	(449,492)
Operation and maintenance of plant	227,651	-	-	-	(227,651)	-	(227,651)
Transportation	252,047	18,692	-	-	(233,355)	-	(233,355)
	<u>1,136,163</u>	<u>18,692</u>	<u>-</u>	<u>-</u>	<u>(1,117,471)</u>	<u>-</u>	<u>(1,117,471)</u>
Non-instructional programs	617	-	-	-	(617)	-	(617)
Other expenditures:							
Facilities acquisition	44,420	-	-	-	(44,420)	-	(44,420)
Long-term debt interest	8,771	-	-	-	(8,771)	-	(8,771)
AEA flowthrough	132,313	-	132,313	-	-	-	-
Depreciation (unallocated)*	38,730	-	-	-	(38,730)	-	(38,730)
	<u>224,234</u>	<u>-</u>	<u>132,313</u>	<u>-</u>	<u>(91,921)</u>	<u>-</u>	<u>(91,921)</u>
Total governmental activities	<u>4,186,127</u>	<u>614,916</u>	<u>767,447</u>	<u>-</u>	<u>(2,803,764)</u>	<u>-</u>	<u>(2,803,764)</u>
Business type activities:							
Instruction:							
Other instruction	6,938	-	-	-	-	(6,938)	(6,938)
Non-instructional programs:							
Food service operations	213,536	81,177	138,599	-	-	6,240	6,240
Total business type activities	<u>220,474</u>	<u>81,177</u>	<u>138,599</u>	<u>-</u>	<u>-</u>	<u>(698)</u>	<u>(698)</u>
Total	<u>\$ 4,406,601</u>	<u>696,093</u>	<u>906,046</u>	<u>-</u>	<u>(2,803,764)</u>	<u>(698)</u>	<u>(2,804,462)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,050,860	-	1,050,860
Debt service					98,293	-	98,293
Capital outlay					26,184	-	26,184
Statewide sales, services and use tax					226,644	-	226,644
Income surtax					124,329	-	124,329
Unrestricted state grants					1,513,714	-	1,513,714
Unrestricted investment earnings					776	13	789
Insurance proceeds					2,568	-	2,568
Other					10,226	-	10,226
Total general revenues					<u>3,053,594</u>	<u>13</u>	<u>3,053,607</u>
Change in net assets					249,830	(685)	249,145
Net assets beginning of year					1,833,132	15,233	1,848,365
Net assets end of year					<u>\$ 2,082,962</u>	<u>14,548</u>	<u>2,097,510</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Moravia Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2011

	General	Nonmajor	Total
Assets			
Cash and pooled investments	\$ 309,939	303,370	613,309
Receivables:			
Property tax:			
Delinquent	23,968	5,034	29,002
Succeeding year	1,072,423	199,066	1,271,489
Due from other funds	17,728	-	17,728
Due from other governments	201,169	40,952	242,121
Total assets	\$1,625,227	548,422	2,173,649
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 11,967	377	12,344
Due to other governments	28,559	-	28,559
Due to other funds	-	1,099	1,099
Deferred revenue:			
Succeeding year property tax	1,072,423	199,066	1,271,489
Other	172,230	-	172,230
Total liabilities	1,285,179	200,542	1,485,721
Fund balances:			
Nonspendable-Education foundation	-	29,545	29,545
Restricted for:			
Categorical funding	31,584	-	31,584
Education foundation purposes	-	10,418	10,418
Management levy purposes	-	77,549	77,549
Student activities	-	85,036	85,036
Debt service	-	1,326	1,326
School infrastructure	-	120,590	120,590
Physical plant and equipment	-	23,416	23,416
Unassigned	308,464	-	308,464
	340,048	347,880	687,928
Total liabilities and fund balances	\$1,625,227	548,422	2,173,649

See notes to financial statements.

Moravia Community School District

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (page 20) **\$ 687,928**

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,697,538

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 2,399

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 152,929

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (456)

Long-term liabilities, including general obligation bonds payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (457,376)

Net assets of governmental activities (page 18) **\$ 2,082,962**

See notes to financial statements.

Moravia Community School District

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Nonmajor	Total
Revenues:			
Local sources:			
Local tax	\$ 1,094,440	430,682	1,525,122
Tuition	398,636	-	398,636
Other	34,164	198,836	233,000
State sources	1,922,751	-	1,922,751
Federal sources	329,958	-	329,958
Total revenues	3,779,949	629,518	4,409,467
Expenditures:			
Current:			
Instruction:			
Regular	1,772,783	16,806	1,789,589
Special	376,151	2,390	378,541
Other	370,537	182,641	553,178
	2,519,471	201,837	2,721,308
Support services:			
Student	96,506	578	97,084
Instructional staff	70,394	33,349	103,743
Administration	406,662	11,126	417,788
Operation and maintenance of plant	198,053	47,952	246,005
Transportation	239,845	7,134	246,979
	1,011,460	100,139	1,111,599
Non-instructional programs	-	617	617
Other expenditures:			
Facilities acquisition	-	103,220	103,220
Long-term debt:			
Principal	-	90,000	90,000
Interest and fiscal charges	-	9,030	9,030
AEA flowthrough	132,313	-	132,313
	132,313	202,250	334,563
Total expenditures	3,663,244	504,843	4,168,087
Excess (deficiency) of revenues over (under) expenditures	116,705	124,675	241,380
Other financing sources (uses):			
Operating transfers in	-	1,145	1,145
Operating transfers out	-	(1,145)	(1,145)
Insurance proceeds	2,568	-	2,568
Total other financing sources (uses)	2,568	-	2,568
Net change in fund balances	119,273	124,675	243,948
Fund balances beginning of year, as restated	220,775	223,205	443,980
Fund balances end of year	\$ 340,048	347,880	687,928

See notes to financial statements.

Moravia Community School District

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (page 22) \$ 243,948

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 137,029	
Depreciation expense	<u>(87,579)</u>	49,450

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 23,921

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 90,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 259

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures of the governmental funds, as follows:

Other postemployment benefits	(156,621)
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The Internal Service fund is used by management to charge the costs of partial self funding of the District's flexible benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. (1,127)

Change in net assets of governmental activities (page 19)	<u>\$ 249,830</u>
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See notes to financial statements.

Moravia Community School District

Exhibit G

Statement of Net Assets
Proprietary Funds

June 30, 2011

	<u>Business-Type Activities</u>			<u>Governmental Activities</u>
		Other Non-Major Fund -		
	Enterprise - Student Construction	Enterprise - School Nutrition	Total	Internal Service - Flex Spending
Assets				
Cash and cash equivalents	\$ -	5,718	5,718	5,399
Due from other governments	-	13,057	13,057	-
Inventories	113,666	2,881	116,547	-
Capital assets, net of accumulated depreciation	-	14,070	14,070	-
Total assets	<u>113,666</u>	<u>35,726</u>	<u>149,392</u>	<u>5,399</u>
Liabilities				
Accounts payable	47	-	47	-
Due to other funds	11,629	2,000	13,629	3,000
Loan payable	114,793	-	114,793	-
Net OPEB liability	-	6,375	6,375	-
Total liabilities	<u>126,469</u>	<u>8,375</u>	<u>134,844</u>	<u>3,000</u>
Net Assets				
Invested in capital assets	-	14,070	14,070	-
Unrestricted	(12,803)	13,281	478	2,399
Total net assets	<u>\$ (12,803)</u>	<u>27,351</u>	<u>14,548</u>	<u>2,399</u>

See notes to financial statements.

Moravia Community School District

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

	Business-Type Activities			Governmental Activities
	Other Non-Major Fund -			
	Enterprise - Student Construction	Enterprise - School Nutrition	Total	Internal Service - Flex Spending
Operating revenues:				
Local sources:				
Charges for service	\$ -	81,177	81,177	-
Employee contributions	-	-	-	9,617
Total operating revenue	-	81,177	81,177	9,617
Operating expenses:				
Instruction:				
Other instruction	6,938	-	6,938	-
	6,938	-	6,938	-
Non-instructional programs:				
Salaries	-	77,153	77,153	-
Benefits	-	21,504	21,504	-
Purchased services	-	387	387	-
Supplies	-	112,305	112,305	-
Other	-	-	-	10,744
Depreciation	-	2,187	2,187	-
	-	213,536	213,536	10,744
Total operating expenses	6,938	213,536	220,474	10,744
Operating (loss)	(6,938)	(132,359)	(139,297)	(1,127)
Non-operating revenues:				
State sources	-	1,867	1,867	-
Federal sources	-	136,732	136,732	-
Interest income	-	13	13	-
Net non-operating revenues	-	138,612	138,612	-
Change in net assets	(6,938)	6,253	(685)	(1,127)
Net assets beginning of year	(5,865)	21,098	15,233	3,526
Net assets end of year	\$ (12,803)	27,351	14,548	2,399

See notes to financial statements.

Moravia Community School District

Exhibit I

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Business-Type Activities			Governmental Activities
	Other Non-Major Fund -			
	Enterprise - Student Construction	Enterprise - School Nutrition	Total	Internal Service - Flex Spending
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ -	81,177	81,177	-
Cash received from miscellaneous operating activities	-	-	-	9,617
Cash paid to employees for services	-	(95,527)	(95,527)	-
Cash paid to suppliers for goods and services	(6,891)	(102,807)	(109,698)	(10,744)
Net cash (used) by operating activities	(6,891)	(117,157)	(124,048)	(1,127)
Cash flows from non-capital financing activities:				
State grants received	-	1,867	1,867	-
Federal grants received	-	121,053	121,053	-
Net cash provided by non-capital financing activities	-	122,920	122,920	-
Cash flows from capital and related financing activities:				
Interfund loan increase (decrease)	7,018	(6,000)	1,018	-
Principal payment on loan	(127)	-	(127)	-
Net cash provided (used) by capital and related financing activities	6,891	(6,000)	891	-
Cash flows from investing activities:				
Interest on investments	-	13	13	-
Net (decrease) in cash and cash equivalents	-	(224)	(224)	(1,127)
Cash and cash equivalents at beginning of year	-	5,942	5,942	6,526
Cash and cash equivalents at end of year	\$ -	5,718	5,718	5,399
Reconciliation of operating (loss) to net cash (used) by operating activities:				
Operating (loss)	\$ (6,938)	(132,359)	(139,297)	(1,127)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:				
Commodities used	-	10,465	10,465	-
Depreciation	-	2,187	2,187	-
(Increase) in inventories	-	(505)	(505)	-
Increase (Decrease) in accounts payable	47	(75)	(28)	-
Increase in net OPEB liability	-	3,130	3,130	-
Net cash (used) by operating activities	\$ (6,891)	(117,157)	(124,048)	(1,127)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$10,465 of federal commodities.

See notes to financial statements.

Moravia Community School District

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Moravia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Moravia, Iowa, and the predominate agricultural territory of Appanoose, Davis and Monroe Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Moravia Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Moravia Community School District has one component unit which meets the Governmental Accounting Standards Board criteria.

Blended Component Unit – The Moravia Education Foundation (Foundation) is included in the financial statements of the Moravia Community School District because its relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The members and Board of Directors of the Foundation consist of the members of the District's Board of Education. In addition, the purpose of the Foundation is to support the activities of the Moravia Community School District.

Jointly Governed Organizations – The District participates in jointly governed organizations which provide services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Appanoose, Davis and Monroe County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

The Enterprise, Student Construction Fund is used to account for the student-built house operations of the District.

Additionally the District reports two non-major proprietary funds. The Enterprise, School Nutrition Fund is used to account for the food service operations of the District. The Internal Service, Flex Spending Fund is utilized to account for employee flexible benefits. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting journal entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed or used rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds and income surtax as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – District employees accumulate a limited amount of vacation time; however, the unused amounts are not paid at termination, death or retirement. Consequently, no accrual is made in the financial statements for compensated absences.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the deposits to insure there will be no loss of public funds. However at times during the year ended June 30, 2011, the District's deposits in banks were not entirely covered by federal depositing insurance or by the State Sinking Fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio Fund which are valued at an amortized cost of \$45,172, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

The Foundation invests in a checking account, certificate of deposit and stock. At June 30, 2011, the cost of the certificate of deposit and stock was \$55,174, and the fair value was \$37,537. The certificate of deposit and stock is reported at fair value, as determined by the investment company handling the account. The Foundation's investments are all category 1, which means that the investments are held by the Foundation in the Foundation's name. The investment balances of the Foundation's funds are reported at the carrying amount which reasonably estimates fair value.

(3) Due From and Due to Other Funds

The details of interfund receivables and payables at June 30, 2011 are as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 1,099
	Proprietary:	
	School Nutrition	2,000
	Student Construction	11,629
	Internal Service - Flex Spending	3,000
	Total	<u>\$ 17,728</u>

The above either represents loans from one fund to another fund, or monies due from one fund to another fund as a result of a deficit cash balance in a pooled cash bank account.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Capital Projects:	Special Revenue:	
Physical Plant and	Management Levy	
Equipment Levy		<u>\$ 1,145</u>

The above transfer was a corrective transfer.

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year (As Restated)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,000	-	-	1,000
Construction in progress	-	6,662		6,662
Total capital assets not being depreciated	1,000	6,662	-	7,662
Capital assets being depreciated:				
Buildings	2,797,551	58,800	-	2,856,351
Improvements other than buildings	115,605	30,332	-	145,937
Furniture and equipment	719,733	41,235	-	760,968
Total capital assets being depreciated	3,632,889	130,367	-	3,763,256
Less accumulated depreciation for:				
Buildings	1,521,370	38,729	-	1,560,099
Improvements other than buildings	28,797	6,539	-	35,336
Furniture and equipment	435,634	42,311	-	477,945
Total accumulated depreciation	1,985,801	87,579	-	2,073,380
Total capital assets being depreciated, net	1,647,088	42,788	-	1,689,876
Governmental activities capital assets, net	\$ 1,648,088	49,450	-	1,697,538
Business type activities:				
Furniture and equipment	\$ 118,037	-	-	118,037
Less accumulated depreciation	101,781	2,186	-	103,967
Business type activities capital assets, net	\$ 16,256	(2,186)	-	14,070

Depreciation expense was charged to the following functions:

Government activities:

Instruction:	
Regular	\$ 1,554
Other	2,058
Support services:	
Operation and maintenance of plant	20,267
Transportation	24,970
	48,849
Unallocated	38,730
Total depreciation expense - governmental activities	\$ 87,579

Business type activities:

Food service operations	\$ 2,186
-------------------------	----------

(6) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 235,000	-	90,000	145,000	90,000
Net OPEB liability	155,755	156,621	-	312,376	-
Total	\$ 390,755	156,621	90,000	457,376	90,000

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 3,245	3,130	-	6,375	-
Total	\$ 3,245	3,130	-	6,375	-

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Bond Issue of March 1, 2003				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.70%	\$ 90,000	5,475	95,475
2013	3.90%	55,000	2,145	57,145
Total		\$ 145,000	7,620	152,620

(7) **Short-term Loan Payable**

The District's Enterprise, Student Construction Fund received a \$125,000 draw-down loan from Iowa Trust and Savings Bank on December 14, 2009, of which \$114,920 was advanced during the year ended June 30, 2010, with an interest rate of 5%. On January 7, 2011 this loan was refinanced and a new loan was obtained. The loan maximum on this new loan is \$114,920.13, with interest at 5%. Proceeds of the original loan were used to construct a student-built house as part of a school program. Proceeds of the sale of the student-built house will be used to repay the bank loan. The following is a summary of the loan activity for the year:

Balance Beginning of Year	Additions	Reductions	Balance End of Year
\$114,920	114,793	114,920	\$114,793

The maturity date on this short-term loan payable is January 15, 2012.

(8) Operating Lease

The District has entered into an operating lease for various electronic equipment. Payments under this lease totaled \$8,170 during the fiscal year. Future minimum lease payments in relation to this lease consist of \$8,170 due in fiscal year 2012. At the end of fiscal year 2012, this lease will be paid off.

(9) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$170,201, \$114,414 and \$139,302, respectively, equal to the required contributions for each year.

(10) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 48 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contributions	\$ 173,000
Interest on net OPEB obligation	7,155
Adjustment to annual required contribution	(6,404)
Annual OPEB cost	173,751
Contributions made	(14,000)
Increase in net OPEB obligation	159,751
Net OPEB obligation beginning of year	159,000
Net OPEB obligation end of year	\$ 318,751

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$14,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 173,000	8.1%	\$ 159,000
June 30, 2011	173,751	8.1%	318,751

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.167 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.167 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.515 million and the ratio of the UAAL to covered payroll was 46.4%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. A modest employee turnover rate was assumed for active employees. The assumed rate of retirement was determined by attained age after becoming eligible to retire and continuing health coverage.

Projected claim costs of the medical plan are \$959-\$1,072 per month for retirees less than age 65 and \$670-\$749 per month for retirees who have attained age 65. The differences in rates depend on the type of medical plan selected. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$132,313 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(13) Moravia Education Foundation

The Moravia Education Foundation is a 501 (c) 3 organization reported as a Special Revenue Fund in the financial statements. The purpose of the Foundation is to provide advancement, enhancement, or support to education in the Moravia School District. The bylaws state that 90% of the realized income will be used to support grants, and 10% will be reinvested in the fund, along with the original principal amount. At June 30, 2011, the District determined that \$29,545 of the total amount in this fund must remain in perpetuity to fund the activities of the foundation. This amount is reported as a nonspendable fund balance on the balance sheet.

(14) Construction Commitment

The District has entered into agreements totaling \$94,000 for various school repair/remodeling projects. It is anticipated that these costs will be paid for in fiscal year 2012, and will be paid as work on the projects progress.

(15) Deficit Fund Balance

The District had a deficit unrestricted net asset fund balance of \$12,803 in the Enterprise, Student Construction Fund as of June 30, 2011.

(16) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Educator quality, salary improvement program	\$ 14,435
Educator quality, model core curriculum	3,186
Educator quality, professional development	<u>13,963</u>
Total	<u>\$ 31,584</u>

(17) Subsequent Events

The District has evaluated subsequent events through January 15, 2012 which is the date the financial statements were available to be issued.

(18) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 57,757	6,513
Change in fund type classification per implementation of GASB Statement No. 54	<u>6,513</u>	<u>(6,513)</u>
Balances July 1, 2010, as restated	<u>\$ 64,270</u>	<u>-</u>

The beginning balances in Note (5) have been increased by \$45,000 to accurately reflect the July 1, 2010, balances by category. However, the net balance of \$1,648,088 at July 1, 2010, did not change from the prior year.

Required Supplementary Information

Moravia Community School District

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
Revenues:							
Local sources	\$ 2,156,758	90,807	2,247,565	9,617	2,237,948	2,318,636	(80,688)
State sources	1,922,751	1,867	1,924,618	-	1,924,618	2,153,960	(229,342)
Federal sources	329,958	136,732	466,690	-	466,690	400,000	66,690
Total revenues	4,409,467	229,406	4,638,873	9,617	4,629,256	4,872,596	(243,340)
Expenditures/Expenses:							
Instruction	2,721,308	6,938	2,728,246	-	2,728,246	3,086,059	357,813
Support services	1,111,599	-	1,111,599	-	1,111,599	1,170,900	59,301
Non-instructional programs	617	224,280	224,897	10,744	214,153	242,183	28,030
Other expenditures	334,563	-	334,563	-	334,563	352,773	18,210
Total expenditures/expenses	4,168,087	231,218	4,399,305	10,744	4,388,561	4,851,915	463,354
Excess (deficiency) of revenues over (under) expenditures	241,380	(1,812)	239,568	(1,127)	240,695	20,681	220,014
Other financing sources (uses), net	2,568	-	2,568	-	2,568	-	2,568
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	243,948	(1,812)	242,136	(1,127)	243,263	20,681	222,582
Balances beginning of year	443,980	18,759	462,739	3,526	459,213	311,330	147,883
Balances end of year	\$ 687,928	16,947	704,875	2,399	702,476	332,011	370,465

See accompanying independent auditor's report.

Moravia Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the district did not adopt a budget amendment.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

Moravia Community School District

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	1,167	1,167	0.0%	\$ 1,961	59.5%
2011	July 1, 2009	\$ -	1,167	1,167	0.0%	2,515	46.4%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Moravia Community School District

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue					Total
	Moravia Education Foundation	Management Levy	Student Activity	Debt Service	Capital Projects	
Assets						
Cash and pooled investments	\$ 39,963	75,586	85,413	-	102,408	303,370
Receivables:						
Property tax:						
Delinquent	-	1,963	-	2,425	646	5,034
Succeeding year	-	75,000	-	95,725	28,341	199,066
Due from other governments	-	-	-	-	40,952	40,952
Total assets	\$ 39,963	152,549	85,413	98,150	172,347	548,422
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	-	377	-	-	377
Due to other funds	-	-	-	1,099	-	1,099
Deferred revenue:						
Succeeding year property tax	-	75,000	-	95,725	28,341	199,066
Total liabilities	-	75,000	377	96,824	28,341	200,542
Fund balances:						
Nonspendable-Education foundation	29,545	-	-	-	-	29,545
Restricted for:						
Education foundation purposes	10,418	-	-	-	-	10,418
Management levy purposes	-	77,549	-	-	-	77,549
Student activities	-	-	85,036	-	-	85,036
Debt service	-	-	-	1,326	-	1,326
School infrastructure	-	-	-	-	120,590	120,590
Physical plant and equipment	-	-	-	-	23,416	23,416
Total fund balances	39,963	77,549	85,036	1,326	144,006	347,880
Total liabilities and fund balances	\$ 39,963	152,549	85,413	98,150	172,347	548,422

See accompanying independent auditor's report.

Moravia Community School District

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011

	Special Revenue					Total
	Moravia Education Foundation	Management Levy	Student Activity	Debt Service	Capital Projects	
Revenues:						
Local sources:						
Local tax	\$ -	79,562	-	98,292	252,828	430,682
Other	1,047	4,532	193,257	-	-	198,836
Total revenues	1,047	84,094	193,257	98,292	252,828	629,518
Expenditures:						
Current:						
Instruction:						
Regular	200	16,606	-	-	-	16,806
Special	-	2,390	-	-	-	2,390
Other	-	2,172	180,469	-	-	182,641
Support services:						
Student	-	578	-	-	-	578
Instructional staff	-	250	-	-	33,099	33,349
Administration	-	11,126	-	-	-	11,126
Operation and maintenance of plant	-	10,034	-	-	37,918	47,952
Transportation	-	7,134	-	-	-	7,134
Non-instructional programs	-	617	-	-	-	617
Other expenditures:						
Facilities acquisition	-	-	-	-	103,220	103,220
Long-term debt:						
Principal	-	-	-	90,000	-	90,000
Interest and fiscal changes	-	-	-	9,030	-	9,030
Total expenditures	200	50,907	180,469	99,030	174,237	504,843
Excess (deficiency) of revenues over (under) expenditures	847	33,187	12,788	(738)	78,591	124,675
Other financing sources (uses):						
Operating transfers in	-	-	-	-	1,145	1,145
Operating transfers out	-	(1,145)	-	-	-	(1,145)
Total other financing sources (uses)	-	(1,145)	-	-	1,145	-
Net change in fund balances	847	32,042	12,788	(738)	79,736	124,675
Fund balances beginning of year, as restated	39,116	45,507	72,248	2,064	64,270	223,205
Fund balances end of year	\$ 39,963	77,549	85,036	1,326	144,006	347,880

See accompanying independent auditor's report.

Moravia Community School District

Schedule 3

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 79,638	22,770	102,408
Receivables:			
Property tax:			
Delinquent	-	646	646
Succeeding year	-	28,341	28,341
Due from other governments	40,952	-	40,952
Total assets	\$ 120,590	51,757	172,347
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	28,341	28,341
Total liabilities	-	28,341	28,341
Fund balances:			
Restricted for:			
School infrastructure	120,590	-	120,590
Physical plant and equipment	-	23,416	23,416
Total fund balances	120,590	23,416	144,006
Total liabilities and fund balances	\$ 120,590	51,757	172,347

See accompanying independent auditor's report.

Moravia Community School District

Schedule 4

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Physical Plant		
	Statewide Sales, Services and Use Tax	and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 226,644	26,184	252,828
Total revenues	226,644	26,184	252,828
Expenditures:			
Support services:			
Instructional staff	33,099	-	33,099
Operation and maintenance of plant	27,492	10,426	37,918
Other expenditures:			
Facilities acquisition	103,220	-	103,220
Total expenditures	163,811	10,426	174,237
Excess of revenues over expenditures	62,833	15,758	78,591
Other financing sources (uses):			
Operating transfers in	-	1,145	1,145
Total other financing sources (uses)	-	1,145	1,145
Excess of revenues and other financing sources over expenditures and other financing uses	62,833	16,903	79,736
Fund balances beginning of year, as restated	57,757	6,513	64,270
Fund balances end of year	\$ 120,590	23,416	144,006

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
Interest	\$ 129	106	36	-	199
Variety Show	2,412	861	488	-	2,785
Adopt-a-book	304	250	536	-	18
Band Trip	9,223	15,131	8,582	-	15,772
Show Choir	43	1,089	595	-	537
Year book	2,154	8,175	5,094	-	5,235
Football Cheerleaders	848	2,003	2,360	-	491
Wrestling Cheerleaders	45	-	-	-	45
Drama	142	-	-	-	142
Spanish Club	-	330	228	-	102
FFA	2,273	11,786	11,609	-	2,450
FCCLA	1,497	479	935	-	1,041
Student Council	295	4,348	3,255	-	1,388
Academic Dream	-	320	259	-	61
Student Development	87	646	-	-	733
Elementary	6,980	26,438	28,366	(2,803)	2,249
Concessions	(1,861)	19,975	19,815	2,500	799
Class of 2010	55	-	-	(55)	-
Class of 2011	13,622	6,828	20,135	-	315
Class of 2012	9,025	9,092	5,070	-	13,047
Class of 2013	6,165	4,983	2,105	-	9,043
Class of 2014	3,222	1,558	96	-	4,684
Class of 2015	781	1,014	433	-	1,362
Class of 2016	4	2,090	223	-	1,871
Class of 2017	249	-	122	-	127
Class of 2018	-	2,143	2,231	88	-
High School Activity	3,020	3,577	3,994	55	2,658
Europe	391	2,710	3,101	-	-
Computer Project	1,560	-	1,560	-	-
Boys Track	-	328	255	-	73
Athletics	218	34,577	30,775	-	4,020
Junior High Volleyball	3	1,187	639	-	551
Junior High Girls Basketball	-	650	149	-	501
Boys Basketball	917	5,967	5,006	-	1,878
High School Football	1,478	10,307	10,041	-	1,744
Baseball	2,331	2,044	1,634	-	2,741
Wrestling	186	605	501	-	290
Construction	329	-	-	-	329
Girls Basketball	658	1,733	823	-	1,568
Volleyball	2,070	3,094	1,916	-	3,248
Softball	615	4,717	4,651	-	681
Cross Country	173	95	90	-	178
Girls Track	139	908	1,260	215	2
Golf	466	1,113	1,501	-	78
Total	\$ 72,248	193,257	180,469	-	85,036

See accompanying independent auditor's report.

Moravia Community School District

Schedule 6

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$1,525,122	1,437,914	1,351,362	1,280,131	1,228,530	1,098,441	980,208	914,345
Tuition	398,636	362,679	301,352	222,893	289,844	250,341	268,743	242,808
Other	233,000	242,574	205,313	204,157	230,243	211,508	324,919	161,032
Intermediate sources	-	-	-	-	-	-	61,103	37,477
State sources	1,922,751	1,579,743	1,878,423	1,664,519	1,586,760	1,552,826	1,438,737	1,463,061
Federal sources	329,958	441,479	252,528	172,633	248,164	320,572	154,496	203,558
Total	\$4,409,467	4,064,389	3,988,978	3,544,333	3,583,541	3,433,688	3,228,206	3,022,281
Expenditures:								
Instruction:								
Regular	\$1,789,589	1,664,066	1,603,477	1,548,758	1,355,157	1,296,673	1,436,641	1,322,066
Special	378,541	541,244	530,048	331,114	398,202	313,993	401,792	299,730
Other	553,178	531,272	589,668	566,413	489,379	510,474	347,552	430,728
Support services:								
Student	97,084	74,262	13,846	90,307	85,143	81,765	80,185	72,891
Instructional staff	103,743	93,135	85,674	29,639	58,090	75,068	40,678	44,222
Administration	417,788	410,919	416,614	436,077	459,719	441,552	430,681	398,037
Operation and maintenance of plant	246,005	207,547	224,937	247,452	221,922	196,670	217,573	221,807
Transportation	246,979	248,293	186,508	194,660	137,340	191,623	142,213	164,001
Non-instructional programs	617	682	475	482	457	618	495	400
Other expenditures:								
Facilities acquisition	103,220	81,683	102,337	230,147	58,392	267,315	53,081	3,364
Long-term debt:								
Principal	90,000	85,000	85,000	85,000	80,000	75,000	79,676	74,883
Interest and other charges	9,030	11,784	14,378	16,935	18,634	20,435	22,830	34,948
AEA flowthrough	132,313	122,476	111,392	103,255	96,106	91,933	87,761	89,358
Total	\$4,168,087	4,072,363	3,964,354	3,880,239	3,458,541	3,563,119	3,341,158	3,156,435

See accompanying independent auditor's report.

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of
Moravia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Moravia Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 15, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Moravia Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Moravia Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Moravia Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A), (B), (D), (E), (F) and (G) to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Moravia Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Moravia Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Moravia Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Moravia Community School District and other parties to whom the Moravia Community School District may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Moravia Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Co., LLP
Certified Public Accountants

January 15, 2012

Moravia Community School District

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. An independent person does not prepare an initial listing of the checks received and later compare the listing to the bank deposit. In addition, an independent person does not compare the credits per the bank statement with credits as recorded on the general ledger. An independent person does not compare the debits per the bank statement with the debits as recorded on the general ledger. Also, vouchers are sometimes processed, disbursements are recorded, and checks are prepared by the same person. In most instances, the same individual stamps the Board President's and Board Secretary's name on all District checks.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

- (B) Disbursements – In some cases, payments were made to vendors even though no invoices existed.

Recommendation – The District should ensure that all disbursements are supported by an invoice prior to payment.

Response – We will ensure that invoices exist for all disbursements prior to payment.

Conclusion – Response accepted.

- (C) Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The construction account reported in the Special Revenue, Student Activity Fund does not appear to be extracurricular or co-curricular in nature.

For Activity Fund fundraisers, there are no documented procedures in place to reconcile the cash receipts to the amount of money that should have been collected based on the quantity of merchandise purchased for resale or gross profit percentage.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2011

Recommendation – The District should review the propriety of all of the accounts in the Student Activity Fund, and determine which accounts meet the Department of Education requirements to be included in the Student Activity Fund. All accounts which do not meet the requirements to be included in the Student Activity Fund should be recorded in another appropriate fund.

The District should also implement procedures for fundraisers which documents the reconciliation of actual monies collected to the amount of money that should have been collected based on quantity of merchandise purchased for resale or gross profit percentages.

Response – We will review this area.

Conclusion – Response accepted.

- (D) Admission Tickets – Admission tickets were not consistently issued for athletic events.

Recommendation – The District should issue pre-numbered admission tickets for athletic events. The District should then reconcile the dollar value of pre-numbered admission tickets issued to the dollar amount of cash deposited to the bank account.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (E) Receipts – Some receipt slips issued by the District could not be located. Void receipt slips were not consistently retained by the District. In addition, some Activity Fund receipts were not deposited to the bank on an intact basis.

Recommendation – All receipt slips, including all copies of void receipt slips should be retained by the District. In addition, Activity Fund receipts should be deposited to the bank on an intact basis.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

- (F) Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Moravia Community School District does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that District officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2011

Response – We recognize our limitations, however, it is not fiscally responsible to add additional staff for this purpose.

Conclusion – Response acknowledged.

- (G) Moravia Education Foundation – A double entry accounting system is not used by the Foundation. As a result, the District was unable to prepare financial statements for the Foundation for the year ended June 30, 2011.

Recommendation – The Foundation implement a double entry accounting system, and prepare financial statements on a monthly and yearly basis.

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the certified budget.
- (2) Questionable Disbursement – A certain disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. This disbursement is detailed as follows:

Paid to	Purpose	Amount
Rathbun Lakeshore Grille	Administrator/ Teacher Luncheon	\$ 76

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The District should determine and document the public purpose served by these disbursements before authorizing any future payments. If this practice is continued, the District should establish written policies and procedures, including the requirements for proper documentation.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

- (3) Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- (4) Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Beaty, Husband of Kim Beaty, employee	Mowing	\$655
Steve Smith, Board Member	Coaching	\$2,691

In accordance with Attorney General's opinion dated July 2, 1990, and an Attorney General's opinion dated November 9, 1976, the above transactions with Mr. Beaty do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Mr. Smith appears to represent a conflict of interest.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2011

The District buys merchandise from a locally owned family business. One of the members of this family is also an instructor for the District. Chapter 301.28 of the Code of Iowa states that it is unlawful for any teacher to act as an agent for the purchase of school supplies. It does not appear that the District has reviewed this situation to determine if they are in compliance with Chapter 301.28 of the Code of Iowa.

Recommendation – The District should contact legal counsel regarding the above related party transaction with the Board member to determine what, if any, corrective action is needed. In addition, the District also needs consult legal counsel to determine if they are in compliance with Chapter 301.28 of the Code of Iowa.

Response – We will discuss this with our School Attorney.

Conclusion – Response accepted.

- (5) Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (6) Board Minutes – One invoice tested was not published in the newspaper and approved by the Board, as required by Chapter 279.35 and 279.29 of the Code of Iowa.

Instances were noted where the Board minutes did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Instances were noted where the Board minutes were not timely published, as required by Chapter 279.35 of the Code of Iowa.

Recommendation – All invoices should be approved by the Board and be published as required by Chapter 279.35 and 279.29 of the Code of Iowa. The District should also comply with Chapter 21 of the Code of Iowa in relation to the open-meetings law. In addition, all Board minutes should be published as required by Chapter 279.35 of the Code of Iowa.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (7) Certified Enrollment – The total students reported to the Iowa Department of Education on line 8 of the Certified Enrollment Certification Form for October 2010 was overstated by 1 student.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve these matters.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2011

- (8) Supplementary Weighting – Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

In total, the District claimed 14.03 as supplementary weighting. However, the District should have only claimed 14.02 as supplementary weighting.

Recommendation – The District contact the Iowa Department of Education to resolve this matter.

Response – We will contact the Iowa Department of Education.

Conclusion – Response accepted.

- (9) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except that bank interest earned is not credited to the Debt Service Fund, as required per Chapter 12C.9 of the Code of Iowa, and at times during the year ended June 30, 2011, the cash in bank amount exceeded the deposit resolution amount.

Recommendation – The District credit bank interest earned to the Debt Service Fund, as required by the Code of Iowa. In addition, the depository resolution amount should be modified to ensure the deposit resolution amount exceeds the cash in bank amount.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (10) Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education. However we noted variances between the amounts reported on the Certified Annual Report and the financial statements.

Recommendation – The District should contact the Iowa Department of Education to resolve this situation.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- (11) Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds. However, in some cases the District did not record expenditures related to categorical funding until the end of the fiscal year. The Iowa Department of Education requires that all categorical funding be recorded to specific account codes. Since the District did not record categorical funding to specific account codes during the year, it appears that the District is not in compliance with the Iowa Department of Education requirements.

Recommendation – The District should contact the Iowa Department of Education regarding corrective action to be taken.

Response – We will implement this recommendation.

Conclusion – Response accepted.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2011

- (12) Statewide Sales, Services and Use Tax – It appears there were instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa.

The District paid for some maintenance costs and for some equipment from the statewide sales, services and use tax revenue proceeds which individually cost less than \$500 per unit. Based on Section 298.3 of the Code of Iowa, it does not appear that these types of expenses are an allowable use of these funds.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning balance		\$ 57,757	
Revenues/transfers in:			
Sales tax revenues			226,644
Expenditures/transfers out:			
Equipment	\$ 58,187		
Other	<u>105,624</u>	<u>163,811</u>	
Ending balance		<u>\$ 120,590</u>	

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

Recommendation – The District should implement procedures to ensure that all disbursements are charged as the appropriate funds. In addition, the District should make a corrective transfer from the General Fund to the Capital Projects, Statewide Sales, Services and Use Tax Fund for inappropriate expenses paid from the statewide sales, services and use tax proceeds.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (13) Financial Condition – The Special Revenue, Management Levy Fund and the Capital Projects, Physical Plant and Equipment Levy (PPEL) Fund fund balances are in excess of one year's expenditures. As a result, the balances in these funds may be excessive. In addition, the Enterprise, Student Construction Fund had a deficit balance of \$12,803 as June 30, 2011.

Recommendation – The District should consider the necessity of maintaining the substantial balances in these funds and, where financially feasible, consider reducing the balances in these funds. The District should also continue to monitor the deficit in the Enterprise, Student Construction Fund and investigate alternatives to eliminate this deficit.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2011

Response – We will continue to monitor these funds and investigate alternatives to return all of these funds to a reasonable level. The PPEL Funds were being expended in July for summer projects in 2011 and the Management Levy balance is being built up in order to pay for the early retirement costs of the 6-7 teacher that are near retirement age.

Conclusion – Response accepted.

- (14) Interfund Loans – It does not appear the District has met the Department of Education requirements as outlined in a Declaratory Order Adm. Doc. #4672 in relation to the proper procedure for handling, recording and repayment of interfund loans.

Recommendation – The District should implement procedures to ensure the Department of Education requirements are met in relation to the handling, recording and repayment of interfund loans.

Response – We will implement this to the best of our ability.

Conclusion – Response accepted.

- (15) Compliance Issues – In some instances the District paid sales tax on purchases. There was no evidence the District obtained a bond from the contractor on a construction project, even though this is required per Chapter 573.2 of the Code of Iowa. The District did not hold a public hearing or obtain Board approval to renew a loan, as required by the Code of Iowa. This loan was for the Student Construction Program.

Recommendation - The District discontinue the payment of sales tax on purchases, require a bond on applicable construction projects, and follow the Code of Iowa requirements in relation to loan transactions.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

- (16) General Fixed Assets – The District does not have a coherent record of a listing of general fixed assets. As a result, the District is unable to physically compare the general fixed assets on hand with the listing of general fixed assets. For insurance and security purposes, general fixed assets should be periodically counted and reconciled to the general fixed asset listing by an independent person.

Recommendation – A general fixed asset listing should be maintained. The general fixed assets should then be periodically counted and reconciled to the general fixed asset listing by a person who does not have custody of the general fixed assets.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (17) Payroll – Some non-exempt employees are not required to keep timesheets. To ensure compliance with the Fair Labor Standards Act, all non-exempt employees should keep timesheets.

An instance was noted where a non-exempt employee worked more than 40 hours in a week and was not compensated for this overtime at time-and-one half.

Moravia Community School District

Schedule of Findings

Year ended June 30, 2011

Recommendation – To be compliance with the Fair Labor Standards Act, the District should implement procedures to ensure all non-exempt employees keep timesheets, and that hours worked by non-exempt employees are compensated at time-and-one-half.

Response – We will review this area.

Conclusion – Response accepted.

- (18) Miscellaneous – Because the District did not timely apply for Impact Aid funds, the District did not receive \$3,490 in Impact Aid funds from the federal government.

The District does not have procedures in place to ensure all claim forms filed with the State of Iowa for the nutrition program are properly completed. As a result, we identified over \$5,000 in monies due to the District from the nutrition program that were not properly claimed by the District from the State of Iowa. This condition was not known by the District until we brought it to their attention.

The District does not have procedures in place to ensure all open enrollment out payments made to other Districts reconcile to the open enrollment records certified to the State of Iowa. As a result, it appears the District overpaid a neighboring District by \$1,731. This condition was not known by the District until we brought it to their attention.

Recommendation – The District should timely apply for Impact Aid Funds from the federal government. In addition, procedures should be implemented to ensure all claim forms for the nutrition program are properly completed. Also, procedures should be implements to ensure open enrollment payment out moniesreconcile to the open enrollment out records certified to the State of Iowa.

Response – There is nothing we can do in relation to the reduction of the Impact Aid monies as a result of not timely applying for these funds. We are in the process of recouping the Nutrition Fund monies from the State of Iowa and the \$1,731 overpayment to the Albia Community School District.

Conclusion – Response accepted.